

VZCZCXRO8291
PP RUEHMA RUEHPA
DE RUEHUJA #0521/01 0781541
ZNR UUUUU ZZH
P 181541Z MAR 08
FM AMEMBASSY ABUJA
TO RUEHC/SECSTATE WASHDC PRIORITY 2373
INFO RUEHOS/AMCONSUL LAGOS PRIORITY 8942
RUCPDO/DEPT OF COMMERCE WASHDC
RUEATRS/DEPT OF TREASURY WASHDC
RUEHZK/ECOWAS COLLECTIVE

UNCLAS SECTION 01 OF 03 ABUJA 000521

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DEPARTMENT FOR AF/W, EB/TPP, DRL AND AF/EPS (POTASH)
DEPARTMENT PASS TO USTR (AGAMA)

E.O. 12598: N/A

TAGS: [ETRD](#) [AGOA](#) [ECON](#) [NI](#)

SUBJECT: NIGERIA Q 2008 PRESIDENT'S REPORT ON AGOA

REF: STATE 20082

¶1. In response to reftel, this cable contains Nigeria's submission for the 2008 President's Report on AGOA.

Market Economy/Economic Reform/Elimination of Trade Barriers

¶2. A new government headed by Umaru Musa Yar'Adua was sworn in on May 29, 2007 with the goal of implementing market based reforms, however, progress has been slow. Nigeria continues to implement the Economic Community of West African States (ECOWAS) Common External Tariff (CET); however, negotiations remain stalled over the contents of the fifth, or excepted, band of CET goods, despite a planned completion date of January 1, 2008. Negotiations on Type B exceptions and the 50 percent duty band for luxury items are ongoing and Nigeria plans to further reduce the 50 percent duty on luxury goods. The United States continues to have serious concerns about the Nigerian government's use of non-tariff barriers to trade. A potential sign of progress is the new government's promise to review the existing import bans. The government's lack of capacity to address IPR issues is a major constraint to enforcement. The National Assembly is considering a bill that would amend several laws covering trademarks, patents and designs, plant and animal varieties, and establish an industrial property commission.

Political Pluralism/Rule of Law/Anti-Corruption

¶3. The general elections held in April 2007 were seriously flawed, with credible reports of malfeasance and vote rigging across the country. Despite this, however, the May 29, 2007 inauguration marked the first civilian-to-civilian transfer of power in Nigeria's history. The legitimacy of the new administration remains in question and the two leading opposition candidates have petitioned the electoral tribunal to nullify the election. The tribunal upheld the election results; however, the petitioners have appealed to the Supreme Court. Despite the formation of an electoral reform committee, there has been little to no substantive progress toward electoral reform by the new administration. Civil and criminal cases move slowly through Nigeria's courts. The judicial system lacks the resources to function effectively. In response to public demand, Shari'ah (Islamic law) was established in 12 of Nigeria's northern states in 2000. The government has taken steps to tackle corruption, such as establishing two anti-corruption commissions and announcing measures to improve fiscal responsibility in federal budgeting and procurement; however, the corruption remains endemic. Corruption cases involving senior government officials and state governors are pending before various courts. In July 2006, Nigeria was removed from the Financial Action Task Force list of Non-Cooperative Countries and Territories, and in June 2007 the Nigerian Financial Intelligence Unit (NFIU) was admitted into the Egmont Group of Financial Intelligence Units. This also led to

delisting Nigeria from the FINCEN advisory list.

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Poverty Reduction

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¶4. The government's economic reform program, the National Economic Empowerment and Development Strategy (NEEDS) is undergoing a review that would incorporate President Yar'Adua's seven point agenda. Though Nigeria no longer has a Policy Support Instrument (PSI) with the IMF, it however, maintains a cordial relationship with the IMF which allows for evaluation of economic policies and provision of advisory services. Recent comments by the IMF team in early February 2008 noted concerns about the use of Nigeria's excess crude account.

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Labor/Child Labor

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¶5. The constitution recognizes the right of workers to join or form trade unions; however, less than ten percent of the total workforce is organized, and workers in Export Processing Zones may not join a union until ten years after the anniversary date of the enterprise establishment. Minimum wages, the length of the workday or workweek, and general health and safety provisions are statutorily mandated, but enforcement remains weak.

¶6. Nigeria has ratified all eight core ILO conventions. Nigerian law forbids forced or bonded labor and restricts the employment of children younger than 15 to home-based agricultural or domestic work for no more than eight hours per day; nonetheless, child labor remains a problem. The ILO is working with the government and civil society as part of the ILO's International Program on the Elimination of Child Labor. The government launched awareness and training programs for law enforcement, customs and other officials

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and has provided additional training in child labor issues for labor inspection officers. Nigeria is participating in the West African Cocoa Agriculture Project to eliminate the worst forms of child labor. Private and government initiatives to stem the incidence of child employment continued but were largely ineffective. Investigations of child trafficking are hampered by official corruption. Reports of human rights problems included: security force use of excessive force and involvement in unlawful killings, including some that were alleged to be politically-motivated; and mistreatment of prisoners and detainees.

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Nigeria: Competitiveness Hubs and Regional USAID Mission

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¶7. The two Competitiveness Hubs in West Africa Q in Accra, Ghana and Dakar, Senegal Q work in conjunction with each and are funded through and managed by the USAID West Africa Mission (USAID/WA). The Accra and Dakar Hubs have assisted firms in 21 West and Central African countries, including Nigeria, to exhibit at international trade shows, providing firm-specific training on strategies to access the U.S. and other international markets, including information related to quality certifications, packaging, pricing, marketing, and financial management. From October 2005 through September 2007, the West Africa Hubs facilitated over \$600,000 in exports from Nigeria, facilitated nearly \$200,000 in new investments, and provided hands-on technical assistance to nearly 80 Nigerian companies. Specialized training was provided to nearly 1,000 Nigerians, over 50% of which were women.

¶8. In nearly every West African country eligible under AGOA, the Hubs have established partnerships with local organizations (such as chambers of commerce) to operate AGOA Resource Centers (ARCs), which serve as information centers for a wide array of information on AGOA. The ARC in Nigeria is housed in the Nigerian-American Chamber of Commerce in Lagos, while the Hub also works extensively with the Nigerian Export Promotion Council to hold sector-specific workshops (including an export packaging seminar in Lagos in late 2006) as well as AGOA-specific events. The Hub organized an AGOA Export Strategy Workshop for Nigerian entrepreneurs in December 2007 in conjunction with the U.S.-Nigeria Trade and Investment Framework

Agreement (TIFA) Meetings. The Hub responded to requests from the Nigerian government in November 2006 to train customs and other officials on procedures to comply with AGOA textile visa and certification requirements.

¶9. Sector focuses for the Hubs include cashews, shea butter, apparel, handicrafts, specialty foods and seafood. The Hub acts as the Secretariat for the African Cashew Alliance (ACA), which aims to strengthen the African cashew value chain and increase processing capacity in West Africa to achieve competitive, value-added (rather than raw nut) cashew exports from the region. Nigeria is a crucial participant in the ACA with its relatively high processing capacity; international commodity company and founding member of the ACA - Olam opening a second major processing facility in Nigeria in 2007. The Hub organized an ACA meeting in Ibadan in January and in Abuja in July 2007. Early successes include connecting Nigerian processors with suppliers in Burkina Faso and Benin, as well as direct Nigerian exports of 30 metric tons of cashews to the United States. Nigeria also holds potential in the shea butter sector, and the Hubs are encouraging production and processing methods that ensure higher quality shea butter for export. One Trade Hub client exports bulk shea butter to Europe.

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ECOWAS

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¶10. USAID/WA and the Hubs also work with ECOWAS in Abuja to address some of the key costs of doing business, which have a direct impact on competitiveness, including irregular and costly supplies of electricity and high telecommunications charges, mostly arising because of a poor investment environment in the subregion. USAIDQs involvement in regional energy sector in 2007 included ongoing technical assistance support for the West Africa Power Pool, building on the West African Gas Pipeline project that will deliver natural gas from Nigeria to Benin, Togo and Ghana. The Power Pool aims to integrate and strengthen energy infrastructure and regulation among ECOWAS member states for lower cost and more reliable power. USAID also funded advisors to support the Common External Tariff, a long-standing ECOWAS initiative meant to enhance regional integration and export competitiveness.

¶11. A related initiative saw the Trade Hub conduct an audit of Nigerian Customs Service hardware, software, institutional setup and data collection methods in preparation for establishing a Regional Trade Information Systems Database across Nigeria, Benin, Togo, Ghana and Cote d'Ivoire. The Hub also completed an SPS capacity evaluation in Nigeria, a part of their broader efforts to harmonize

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the West African Economic and Monetary Union (UEMOA) countries Sanitary and Phytosanitary (SPS) regulations with non-UEMOA countries (such as Nigeria) in order to increase the likelihood of agricultural exports within and from ECOWAS countries elsewhere.

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